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Coeur d'Alene Trust

Analysis of payout schedule

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Description of five different spending schemes

Coeur d'Alene Trust initially planned to spend \$25 million real annually; modifications to this spending rule are currently being considered

The proposed modifications include:

1. Reducing spending to \$10 million for the first 5 or 10 years of the life of the Trust
2. Implementing a spending plan which varies each year depending on the fund's return in that year

Case 1: Spend \$25 million per year

- \$25 million (in real terms) is spent each year regardless of the asset return

Case 2: Spend \$10 million for the first five years and \$25 million thereafter

- \$10 million (in real terms) is spent each year during the first 5 years and \$25 million (in real terms) is spent thereafter

Case 3: Modified variable spending

- 75% of the real annual return is spent each year with a minimum of \$5 million (in real terms) and a maximum of \$40 million (in real terms)

Case 4: Spend \$10 million for the first five years and modified variable spending thereafter

- \$10 million (in real terms) is spent during the first five years
- In the subsequent years, 75% of the real annual return is spent each year with a minimum of \$5 million (in real terms) and a maximum of \$40 million (in real terms)

Case 5: Spend \$10 million for the first ten years and modified variable spending thereafter

- \$10 million (in real terms) is spent during the first ten years
- In the subsequent years, 75% of the real annual return is spent each year with a minimum of \$5 million (in real terms) and a maximum of \$40 million (in real terms)

Analysis based on a Trust asset value of \$435 million (as of October 24, 2011).

Key findings

The life of the Trust is largely driven by the annual level of spending

- \$25 million per year is the highest level of spending considered (Case 1) and therefore, most quickly depletes the Trust
- Modified variable spending scheme (Case 3) results in \$20 million per year expected average spending level*
- \$10 million per year is the lowest level of spending considered; the longer this level of spending is maintained, the longer the expected life of the Trust

Modified variable spending results in very different spending year over year

- Annual spending ranges from \$5 million to \$40 million based on performance; spending will vary dramatically year over year
- There is a much lower level of average spending in downside scenarios

	Case 1: Spend \$25m per year	Case 2: Spend \$10m for the first five years and \$25m thereafter	Case 3: Modified variable spending	Case 4: \$10m for the first five years and modified variable spending thereafter	Case 5: \$10m for the first ten years and modified variable spending thereafter
Median life of the Trust	33 years	48 years	>100 years	>100 years	>100 years
10% downside life of the Trust	18 years	23 years	88 years	95 years	>100 years
Probability > 50 years	31%	48%	>99%	>99%	>99%
Probability > 90 years	21%	36%	89%	91%	93%

Analysis based on a Trust asset value of \$435 million (as of October 24, 2011).

*Spending is not normally distributed.